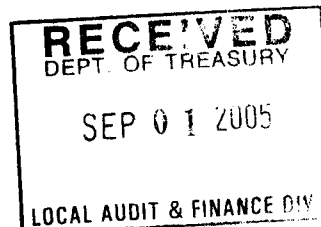


CARNEY-NADEAU WATER AND SEWER AUTHORITY  
REPORT ON FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
YEAR ENDED JUNE 30, 2005



# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.



Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CARNEY NADEAU WATER & SEWER AUTHORITY	County MENOMINEE
Audit Date JUNE 30, 2005	Opinion Date AUGUST 29, 2005	Date Accountant Report Submitted to State: AUGUST 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) RAY PAYMENT, CPA			
Street Address 1217 LUDINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature 			

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RAYMOND L. PAYMENT  
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August 29, 2005

INDEPENDENT AUDITOR'S REPORT

Carney-Nadeau Water and Sewer Authority  
Carney, Michigan

I have audited the balance sheets of the Carney-Nadeau Water and Sewer Authority as of June 30, 2005, and the related statements of revenues and expenditures, retained earnings, and changes in financial position for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the accompanying general purpose financial statements present fairly the financial position of the Carney-Nadeau Water and Sewer Authority as of June 30, 2005, and the results of their operations for the year then ended in accordance with generally accepted accounting principles applicable to governmental entities in the United States of America.

The financial statements referred to in the foregoing opinion are identified in the contents of this report. My examination was made primarily for the purpose of rendering an opinion on these basic financial statements taken as a whole. The supplementary financial data identified in the contents, although not considered necessary for a fair presentation of the financial position and results of operations, are presented primarily for supplemental analysis purposes. This additional information has been

August 29, 2005

subjected to the audit procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued a report dated August 29, 2005 on my consideration of the Authority's internal control structure and on its compliance with laws and regulations.

A handwritten signature in black ink, appearing to read "Ray L. Payment", written in a cursive style.

Ray L. Payment  
Certified Public Accountant

CARNEY-NADEAU WATER AND SEWER AUTHORITY  
BALANCE SHEET  
JUNE 30, 2005

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ASSETS

PROPERTY, PLANT AND EQUIPMENT (Note 2):

Property, plant and equipment	\$ 1 079 529
Less accumulated depreciation	<u>( 200 135 )</u>

Net property and equipment	<u>879 394</u>
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CURRENT ASSETS:

Cash	68 511
Accounts receivable	2 052
Special assessments receivable	<u>22 584</u>

Total current assets	<u>93 147</u>
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TOTAL ASSETS	<u>\$ 972 541</u>
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LIABILITIES, CONTRIBUTIONS AND RETAINED EARNINGS

RETAINED EARNINGS	<u>\$ 88 123</u>
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CONTRIBUTIONS IN AIDE OF CONSTRUCTION - (Note 2)	<u>884 418</u>
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TOTAL LIABILITIES, CONTRIBUTIONS, AND RETAINED EARNINGS	<u>\$ 972 541</u>
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See accompanying notes to financial statements.

CARNEY-NADEAU WATER AND SEWER AUTHORITY  
STATEMENT OF REVENUES AND EXPENDITURES  
YEAR ENDED JUNE 30, 2005

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OPERATING REVENUES:	
Water sales	\$ 15 872
Refunds and reimbursements	<u>162</u>
Total operating revenues	<u>16 034</u>
OPERATING EXPENDITURES:	
Depreciation (Note 2)	10 795
Utilities and heat	3 702
Contract labor	6 475
Professional fees and inspections	1 443
Operating supplies	198
Insurance	2 955
Repairs and maintenance	22 319
Office supplies	1 049
Vehicle expense	583
Miscellaneous	<u>265</u>
Total operating expenses	<u>49 784</u>
Operating income (loss)	(33 750)
NONOPERATING INCOME (EXPENSE)	
Interest income	3 115
Depreciation on contributed capital - (Note 2)	<u>10 795</u>
NET INCOME (LOSS)	<u><u>\$ ( 19 840)</u></u>

See accompanying notes to financial statements.

CARNEY-NADEAU WATER AND SEWER AUTHORITY  
STATEMENT OF RETAINED EARNINGS  
YEAR ENDED JUNE 30, 2005

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RETAINED EARNINGS, at beginning of period	\$ 107 963
ADD - Net income (loss) for the period	<u>( 19 840)</u>
RETAINED EARNINGS, at end of period	<u>\$ 88 123</u>

See accompanying notes to financial statements.



CARNEY-NADEAU WATER AND SEWER AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2005

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CASH FLOWS FROM OPERATING ACTIVITIES:

Net income (loss)	\$( 19 840)
Non-cash expenses included in net income:	
Depreciation	10 795
(Increase) decrease in accounts receivable	<u>( 468)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>( 9 513)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Decrease in Special Assessments receivable	1 874
Increase (decrease) in contributions	<u>( 10 795)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>( 8 921)</u>

NET INCREASE (DECREASE) IN CASH	\$ (18 434)
CASH, BEGINNING OF YEAR	<u>86 945</u>
CASH, END OF YEAR	<u>\$ 68 511</u>

See accompanying notes to financial statements.

CARNEY-NADEAU WATER AND SEWER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1 - METHOD OF ACCOUNTING

The Township Water Fund is maintained on a modified accrual basis.

NOTE 2 - PROPERTY, PLANT, AND EQUIPMENT

Fixed assets consisting of water mains and equipment are carried at cost. Depreciation is calculated over the estimated useful life of the fixed assets using the straight-line method. The Township has elected to decrease contributions in aid of construction by the corresponding depreciation on assets purchased by contributed capital.

NOTE 3 - DESCRIPTION OF THE REPORTING ENTITY

This report includes all of the funds and account groups of the Authority. It includes all activities considered by the U.S. Bureau of Census to be part of the Authority.

The Authority provides the water and sewer services contemplated by statute or character.

NOTE 4 - PROPERTY TAX LEVY

The Authority does not have a property tax levy.

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Deposits of the Authority are in one bank in the name of the Carney-Nadeau Water Authority Treasurer. Michigan Compiled laws, Section 124.91, authorized the Authority Treasurer to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligation of the

CARNEY-NADEAU WATER AND SEWER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

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NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS(Continued)

United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreement; banker's acceptance of the United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications; which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 state that public funds may not be deposited in financial institutions located in states other than Michigan. The Authority's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement 3 risk disclosure for the Authority's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 68 511
Noninsured	<u>          -</u>
TOTAL DEPOSITS	<u>\$ 68 511</u>

NOTE 6 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CARNEY-NADEAU WATER AND SEWER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

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NOTE 7 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts: theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority purchases insurance coverage through a carrier. This plan purchases reinsurance for all risks. The Authority's expense is to pay only the annual premium.

RAYMOND L. PAYMENT  
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August 29, 2005

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
"GOVERNMENT AUDITING STANDARDS"

Carney-Nadeau Water and Sewer Authority  
Carney, Michigan

I have audited the general purpose financial statements of the Carney-Nadeau Water and Sewer Authority as of and for the year ended June 30, 2005, and have issued my report thereon dated August 29, 2005. I conducted my audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

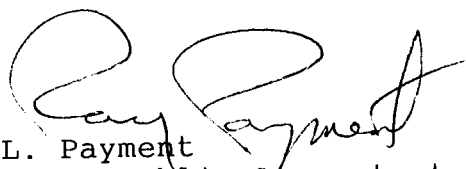
Internal Control Over Financial Reporting

In planning and performing my audit I considered the Authority's internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a rel-

August 29, 2005

atively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Authority Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ray L. Payment  
Certified Public Accountant